

# Running Out of Time:

## Why U.S. Health and Life Insurance Companies Should Divest from Fossil Fuels

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This report is endorsed by the following organizations:



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## Abstract

- Climate change has emerged in recent decades as a grave threat to human health and the economy.
- Nevertheless, many health and life insurance companies remain heavily invested in the fossil fuel industry, investments which contradict their mission to protect human health and support well-being.
- As the world begins an urgent transition to a low-carbon energy future, health and life insurance companies must divest from fossil fuels to protect their clients and their bottom lines.

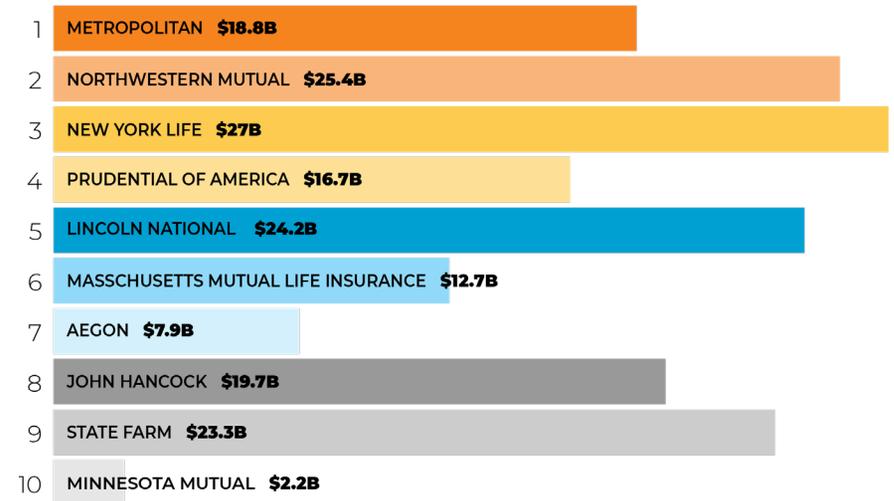
## The Problem

Health and life insurance companies play a vital role in the lives of Americans, something many are acutely aware of in the midst of the global COVID-19 pandemic. In 2018, approximately 67 percent of Americans had private health insurance<sup>1</sup> and 57 percent had some form of life insurance.<sup>2</sup> Over the years, these companies have worked to align some of their investment practices with their missions: Many health and life insurance companies have divested from tobacco companies, for example, acknowledging the hypocrisy of investing in an industry that so clearly threatens human health.

America's largest health and life insurance companies, however, currently have a large blind spot: climate change.

According to the most recent available figures, the top 10 life insurance companies, ranked by market share and for whom there are publicly disclosed fossil fuel investment data, invested over \$178 billion of their customers' premiums in fossil fuels. The country's top 10 health insurers, ranked by U.S. market share and for whom there are publicly disclosed fossil fuel investment data,<sup>3</sup> invested nearly \$24 billion dollars in fossil fuels.<sup>4</sup> Collectively, these nineteen insurance companies (MetLife provides both life and health insurance coverage so is not counted twice) have over \$183 billion invested in the fossil fuel industry. These investments undermine health and contribute to climate change, one of the greatest threats to both health and survival. (Note: In June 2020, MetLife announced a policy to make no new investments in some coal and tar sands companies, effective year-end 2020.)

## Top 10 Life Insurers' Fossil Fuel Investments (Ranked by US market share)



## Top 10 Health Insurers' Fossil Fuel Investments (Ranked by US market share)



The Lancet medical journal calls climate change the “greatest threat to global health in the 21st century.”<sup>5</sup> The health risks associated with the extraction, production and burning of fossil fuels are well-documented; the extraordinary risks of climate change, created by burning fossil fuels, dwarf every other health threat the world faces. Any health or life insurance company invested in fossil fuel funds is directly contravening its own mission.

Companies that hang onto their fossil fuel holdings are not just working against the health of the people they insure; they’re also risking their business model and their business’s financial health. The oil, gas and coal sectors are becoming increasingly volatile: In 2018, the Institute for Energy Economics and Financial Analysis released a report detailing the weak performance of fossil fuel companies and the growing risk of remaining invested in them, and concluded that “potential returns on coal, oil, and gas equities are no longer worth the risk.”<sup>6</sup> The poor performance of the fossil fuel sector in recent years, combined with its severe downturn amid the COVID-19 pandemic, demonstrate the volatility and risk of heavy exposure to fossil fuel assets.

Finally, by remaining heavily invested in fossil fuels, U.S. health and life insurance industries are courting reputational damage, particularly among Millennials and Generation Z. These insurers risk appearing behind the curve to their potential customers and employees if they don’t soon join their finance sector peers who have divested fossil fuel assets.

The need for a transition to a low-carbon energy future is clear and is already underway. Health and life insurance companies can be a part of that transition by divesting from fossil fuels. In doing so, they will bring their investments into alignment with their mission as guardians of human health and well-being, protect their financial bottom line, and burnish their reputation for a generation of consumers and employees deeply concerned about climate change.



## Background

Climate change is upon us. The world is already one degree Celsius warmer than it was before mass industrialization,<sup>7</sup> and the UN warns that we need to limit climate change to 1.5 degrees Celsius above pre-industrial levels to stave off the most catastrophic effects.<sup>8</sup> To reach this goal, scientists agree we must halve our global greenhouse gas emissions by 2030 and reach carbon neutrality by 2050.

The United States is late taking action on climate change in part because some of the same researchers who worked on behalf of the tobacco industry and suppressed the science on smoking have done the same for fossil fuel companies.<sup>9</sup> Exxon, for example, was aware of the dangers of climate change as early as 1977 and suppressed the evidence.<sup>10</sup> These willful acts of disinformation have left governments and industries struggling to catch up to a menacing reality in a rapidly changing world.



## Climate change's impact on health

Our rapidly warming world has profound implications for human health.

Global and national health organizations, including the WHO and the U.S. Centers for Disease Control and Prevention (CDC), and top medical journals including the Lancet and British Medical Journal, all recognize climate change as a global health threat. Health groups and professional associations are also speaking out about the dangers of fossil fuels. A coalition of 1,700 national and international health associations representing 400,000 U.S. doctors has called for an end to reliance on fossil fuels.<sup>11</sup> Signatories include the American Medical Association, the American Nurses Association, the American Academy of Pediatrics, the American Lung Association, Physicians for Social Responsibility, and many more.

WHO estimates climate change will cause an additional 250,000 deaths per year between 2030-2050, at a cost of two to four billion dollars a year.<sup>12</sup> Climate change is projected to increase

incidences of heat stress, food insecurity, asthma and respiratory diseases, mosquito-borne diseases like Dengue fever and malaria, the spread of water-borne diseases, and other severe health impacts.<sup>13</sup>

All of this health disruption will impact the insurance industry. The CRO Forum, a group of professional risk managers from the insurance industry that focuses on developing and promoting industry best practices in risk management, warns that increasing morbidity and mortality associated with climate change could pose “significant challenges for insurers.”<sup>14</sup>

This threat is not confined to the future, however. Climate change driven by burning fossil fuels is already having profound impacts on human health. Floods, storms, and wildfires are increasing in frequency, duration, and intensity, and that directly causes more deaths and injuries. Higher temperatures are impacting morbidity, mortality, and productivity.<sup>15</sup> Consistently, these harmful impacts disproportionately affect low-income communities and communities of color.

### Human Mortality Impacts Due to Climate Change

DIRECT	INDIRECT
Extreme heat	Food insecurity
Extreme cold	Poor air quality
Hurricanes	Poor water quality
Floods	Displacement
Wildfires	Vector-borne diseases
Vector-borne diseases	Stress/Mental Health

Latest estimates say air pollution, the bulk of which is attributed to burning fossil fuels, is killing some 8.8 million people a year.<sup>16</sup> Coal-fired power plants emit mercury and arsenic, along with a toxic cocktail of other chemicals, many of which find their way into the air, water, food sources, and humans.

Furthermore, the disruptions associated with sea level rise and unstable climatic conditions will strain social systems: Populations around the world will face food insecurity, malnutrition, starvation, poverty, migration, and conflict.<sup>17</sup> Climate change is also already causing severe strains on mental health and will continue to do so.<sup>18</sup>

## Fossil fuels: harmful every step of the way

It is easy to forget that fossil fuels harm human health at every stage of their supply chain, from extraction to burning to post-combustion wastes.

Coal miners have been on the frontlines of health impacts for centuries, facing pulmonary diseases such as chronic obstructive pulmonary disease (COPD) which, according to the CDC, “can bring about impairment, disability and premature death.”<sup>19</sup> When combusted, coal releases airborne toxic substances and pollutants including lead, mercury, sulfur, nitrogen oxides and particulates. These have myriad impacts on human health, causing everything from “asthma and breathing difficulties to brain damage, heart problems, cancer, neurological disorders, and premature death.”<sup>20</sup>

Mercury, for example, is a well-known neurotoxin that, after coal combustion, settles onto land and water, where microorganisms transform it into highly toxic methylmercury. This dangerous substance bioaccumulates in fish and shellfish and eventually travels up the food chain into human bodies.<sup>21</sup> Exposure to mercury can cause serious health problems, even in small amounts. It is particularly threatening to the brain development of children in utero and early life and also has toxic effects on the

reproductive and respiratory systems, digestive and immune systems, as well as the kidneys, skin and eyes.<sup>22</sup> And coal ash, a byproduct of burning coal, frequently contaminates water and drinking supplies with heavy metals including arsenic, lead, mercury, cadmium and much more.<sup>23</sup> These toxics can cause cancer and “cognitive defects, developmental delays and behavioral problems” as well as heart damage, lung disease, and other serious harms to health.<sup>24</sup>

Oil and gas extraction and combustion also increase the public's exposure to hazardous materials, which has serious health implications. A 2014 study found that expectant mothers who lived close to sites where natural gas is extracted by hydraulic fracturing faced increased risk of giving birth to babies with birth defects, including congenital heart defects and neural tube defects.<sup>25</sup> Exposure to even low levels of natural gas can cause headaches and dizziness; in high concentrations, it can cause nausea, loss of consciousness and death.<sup>26</sup>

Gasoline itself contains about 150 chemicals, including hydrocarbons, which have been shown to impair the functioning of the central nervous system and damage organs.<sup>27</sup> Gas station workers, mechanics, and others are particularly at risk for exposure, and children are more likely to experience serious side effects.

Oil spills, another major hazard of the industry, threaten the health of all those exposed. Crude oil comprises thousands of chemical compounds, including volatile organic compounds (VOCs). VOCs are known to cause respiratory problems as well as nervous system damage. Some VOCs have been linked to cancer.<sup>28</sup> Workers who have cleaned up oil spills have been shown to suffer DNA damage at higher rates.<sup>29</sup>

The harms to human health do not affect the population equally. The burden of exposure to fossil fuels and the accompanying risks to human health fall disproportionately on communities of color.<sup>30</sup> Fossil fuel infrastructure is sited overwhelmingly near communities of color, from oil drilling in California, to pipelines in the Midwest, petrochemical refineries on the Gulf Coast, and

coal plants throughout the nation. These exposures contribute to higher rates of severe childhood asthma and death from cardiovascular and cancer-related illnesses among communities of color compared to whites.<sup>31</sup>

Another example of this environmental health inequity is the risk from exposure to tar sands operations, which falls disproportionately on indigenous communities. After tar sands are mined, they are “upgraded” using chemical and heat processing that releases carcinogens into the environment. A 2009 study commissioned by the governments of Alberta and Canada showed cancer rates from 1995-2006 among the nearby predominantly indigenous residents of Fort Chipewyan, Alberta to be 30 percent higher than what would be typically expected. The cancers manifesting at higher rates have been linked to exposure to petroleum products.<sup>32</sup>

## Fossil fuels are not a safe investment

Despite the fact that investing in fossil fuels is clearly at cross purposes with health and life insurers’ missions, many insurers remain heavily invested in them under the misconception that they are safe assets. That conventional wisdom, however, is changing. None other than Larry Fink, CEO of Black Rock – the world’s largest asset management company, with over \$7.4 trillion in assets under management – said in his 2020 annual letter to investors that “[e]very government, company, and shareholder must confront climate change.”<sup>33</sup> Fink believes “we are on the edge of a fundamental reshaping of finance.” He tells investors that in “the near future – and sooner than most anticipate – there will be a significant reallocation of capital” away from fossil fuels. While the energy transition will take decades, he says that while “government must lead the way in this transition, companies and investors also have a meaningful role to play.”



To date over 100 financial institutions worldwide, including nearly 30 property and casualty insurers, have divested at least some of their assets from fossil fuels, primarily coal.<sup>34</sup> Some of these institutions include health insurers outside of the U.S. In Australia, three major private insurers – HCF, NIB and Medibank – have started divesting their fossil fuel holdings.<sup>35</sup> HESTA Australia, a health care industry retirement fund worth \$26 billion, is divesting; so is the British Medical Association.<sup>36</sup>

In the United States, some movement in this direction is underway. Gundersen Health System froze its fossil fuel investments in 2014, and the American Medical Association (AMA) passed a resolution in 2018 to divest from fossil fuels and supporting the efforts of physicians and other health professional associations to do so because of climate change’s dire effects on human health.<sup>37</sup> Some health insurers, including Latrobe Health Services, Doctor Health Fund and Westfund, simply have declined to invest in fossil fuels. However the U.S.’s largest health and life insurers, including MetLife, New York Life, and Cigna, still remain heavily invested in fossil fuels.<sup>38</sup>

As the insurance industry courts Millennials and Generation Z to grow its customer base and fill positions vacated by retiring Baby Boomers, it risks alienating both of these younger generations,



who are deeply concerned about the existential threat climate change poses. In fact, a recent study shows that Generation Z workers, the youngest and soon-to-be largest demographic in the workforce, want their employers to take a stand on the issues they care about.<sup>39</sup> Both they and Millennials are inclined to work for and patronize companies they perceive as helping to solve, rather than contribute to, the climate crisis.

## Climate risks to life insurance companies

The life insurance industry is particularly vulnerable to the impacts of climate change. Life insurance companies typically invest in long-term assets to match policies as they mature, which has left them exposed to today's increasing instability of fossil fuel investments.<sup>40</sup>

Furthermore, life insurance companies may suffer unprecedented increases in claims as weather extremes increase mortality and morbidity.<sup>41</sup> Events that can pose an immediate threat to human life such as heatwaves, hurricanes, floods, and wildfires will directly affect mortality, while a host of indirect

impacts affect morbidity, including vector-borne diseases, food insecurity, poor air and water quality, displacement, and migration. All of these effects will contribute to "climate change-related deterioration" of economic conditions, which could hamper sales of both health and life insurance.<sup>42</sup>

## Solution

U.S. health and life insurers need to acknowledge the health impacts of fossil fuels and the resulting impacts of climate change, following clarion calls on the issue from medical bodies around the world, and divest from these harmful industries.

Around the world, cities, states and nations are committing to a careful, planned yet rapid transition to a low-carbon energy system. Health and life insurance companies can be a part of that transition by making clear, concrete and mandatory plans to divest from fossil fuels. These actions will bring their investments into alignment with their mission, reduce their exposure to risky assets, and enable companies to attract and retain talent and a customer base increasingly concerned with climate change.

## Conclusion

A large body of evidence demonstrates that fossil fuels pose an acute public health threat, both from the extraction, transport, combustion, and by-products exposure to fossil fuels and from the myriad impacts of climate change. The fossil fuel sector's poor performance in recent years and its volatility during the global pandemic make a clear case for the managed decline of these industries. The health and life insurance industries must no longer disregard these facts. It is time for them to safeguard the bottom line of their companies and the health of their clients by divesting from fossil fuel companies.

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